



**Directorate of
Intelligence**

~~Secret~~

25X1

Saudi Arabia's Regional Foreign Policy

25X1

An Intelligence Assessment

~~Secret~~

*NESA 85-10064
April 1985*

Copy **357**

Page Denied



**Directorate of
Intelligence**

Secret

25X1

Saudi Arabia's Regional Foreign Policy

25X1

An Intelligence Assessment

This paper was prepared by [] Office
of Near Eastern and South Asian Analysis. It was
coordinated with the Directorate of Operations.
Comments and queries are welcome and may be
directed to the Chief, Persian Gulf Division,
NESA, []

25X1

25X1

Secret

*NESA 85-10064
April 1985*

Secret

25X1

**Saudi Arabia's Regional
Foreign Policy**

25X1

Key Judgments

*Information available
as of 15 March 1985
was used in this report.*

Since 1980 Saudi Arabia has pursued more actively its longstanding regional goals of stability and political moderation, largely in response to escalating tensions in Lebanon and the Persian Gulf. The Saudis believed they were thrust into a leadership vacuum created by Syria's preoccupation in Lebanon, Iraq's involvement in the Iran-Iraq war, and Egypt's ostracism by the Arab world. This inclination toward activism has been reinforced by the personal role Saudi King Fahd plays in foreign policy.

Riyadh's involvement in the Lebanon and Gulf crises has not altered its traditionally cautious, defensive stance toward other, more powerful states in the region, such as Syria and Iran. In addition, it has heightened the Saudis' sense of strategic insecurity, which tempers their ambitions for regional leadership.

The Saudis generally rely on low-key efforts to support moderate, like-minded allies in the region, placate potential adversaries, and contain radical and Soviet influence, while keeping everyone at arm's length. They view their role principally as a catalyst to facilitate negotiations and as an emollient to smooth differences among states in the area.

Riyadh's major foreign policy tool continues to be financial assistance. The Saudis have had less success using other, more limited assets—their special relationship with the United States, their low-key diplomatic style, and their status as a leader of the Islamic world.

Riyadh's diplomacy has been highly visible—but largely unsuccessful—in Lebanon. The Saudis had to abandon their initial goal—a unified pro-Western state under a viable central government—when they could not settle Lebanese factional disputes or engineer an agreement on the withdrawal of all foreign forces. They now judge that Syria will continue to play a major role as long as the Lebanese are militarily weak and politically fragmented.

By contrast, Riyadh's involvement in the Iran-Iraq war has been less visible, but Saudi aid has been important to Baghdad's military effort. Although Riyadh's repeated attempts to facilitate a settlement to the conflict have failed, its continued conciliatory gestures to Iran and efforts to encourage moderate elements in Tehran may help lay the groundwork for a future settlement.

Secret

*NESA 85-10064
April 1985*

Secret

25X1

The Saudis' limited impact in Lebanon has reinforced their doubts that they can significantly influence regional events and may lead them to be wary of highly visible diplomacy in the future. They also may be cautious about playing a major diplomatic role in crises so complex that a mediated settlement is unlikely and order must be imposed by force.

They will probably dispense aid more cautiously, especially in confused or chaotic situations where they fear it will be wasted. The decline in Saudi oil revenues will reinforce this caution. Riyadh will continue to provide aid to those recipients—like Iraq and Syria—that are strong enough to use it productively and to threaten Riyadh if it is withheld.

Major changes in Saudi foreign policy are unlikely. Riyadh will take only a behind-the-scenes role in the Arab-Israeli dialogue, and fear of Syria will limit Saudi support for moderate Arab efforts to reach an accommodation with Israel.

If Crown Prince Abdallah succeeds King Fahd, Saudi policy probably will focus more intensely on the Arab-Israeli conflict—Abdallah has a strong personal interest in the Palestinians and in Saudi-Syrian relations. It will also reflect Abdallah's more outspoken style and his belief that Saudi Arabia should adopt a regional stance less dependent on the Saudi-US tie.

25X1

Secret

Secret

25X1

Contents

	<i>Page</i>
Key Judgments	iii
Regional Goals	1
Saudi Assets	1
The Case of Lebanon	3
The Israeli Invasion	3
The 17 May Agreement	4
Saudi Pullback	5
The Iran-Iraq War	6
Fear of Iran	6
Support for Baghdad	7
The War Spreads	7
Prospects	9
Lessons for Riyadh	9
The Effect of Changes in the Saudi Leadership	11

Secret

Secret

25X1

Saudi Arabia



Boundary representation is not necessarily authoritative

25X1

704758 (A05172) 4 85

Secret

vi

Secret

25X1

Saudi Arabia's Regional Foreign Policy

25X1

Riyadh's regional outlook historically has been insular and ethnocentric, a product of its isolation and its belief that Saudi Arabia is the center of the Islamic and Arab worlds. Although Saudi Arabia is viewed by the West as an oil superpower, the Saudis frequently stress that their country is more important as the religious hub of Islam's nearly 1 billion followers and the guardian of its holiest places—Mecca and Medina. We judge the Saudis recognize that they have only limited assets: a native population of about 6 million, few natural resources beyond their oil, and a military force of only about 55,000 men, which is dwarfed by others in the region.

The Saudis view the Arab world as dominated by threatening, unstable regimes much more powerful than Saudi Arabia and ruthless in pressing Riyadh for support, according to US Embassy reporting. They recognize that they must rely largely on persuasion and accommodation—as well as the ultimate protection of the United States—to deflect hostility and pressure from adversaries.

The Saudis believe, correctly, that they are a key economic and ideological target for regional enemies. Radical states publicly argue that the conservative monarchy is corrupt and archaic, and Islamic fundamentalists charge that the ruling Saud family is unfit to serve as the custodian of Mecca and Medina. The Saudis believe that other countries—including the United States and the USSR—covet their oil and might use a regional conflict as a pretext to seize the oilfields. The Saudis are sensitive to the charge that their oil wealth is an accident of geography and must be shared more equitably among other Arabs.

Regional Goals

Because of the Saudis' sense of vulnerability, they equate their own security with regional stability, according to Embassy reporting. They try to promote a stable balance of forces in the area by pursuing three basic goals:

- To create a broad consensus of moderate states and strengthen Western commitment to the security of the region.

- To contain the growth of radical and Soviet influence in the region, which they view as the source of most regional instability and terrorism.
- To build a regional stake in Saudi stability so that countries view the current regime as better for their own interests than any that might replace it.

25X1

Riyadh works to maintain the appearance—however illusory—of Arab unity.

the Saudis expend considerable effort and money in trying to ease bilateral Arab tensions—they have tried repeatedly to engineer rapprochements between Iraq and Syria and between Syria and the Palestine Liberation Organization (PLO), for example. Riyadh also supports multilateral organizations like the Arab League and the Islamic Conference Organization, although summit meetings of the Arab League are frequently postponed to avoid open disagreements.

25X1

25X1

25X1

25X1

Riyadh conciliates potentially hostile radical states—such as Syria, Iran, and Libya—to reduce the risk of direct pressure and to avoid isolating them from a broader, moderate consensus. In our judgment, the Saudis also believe that stronger ties to regional states with close links to Moscow—like Syria and Iraq—may incline them, even if only marginally, to look more toward regional moderates and to the West. The broader the regional consensus, moreover, the less risk of a split between moderates and radicals or between East and West.

25X1

25X1

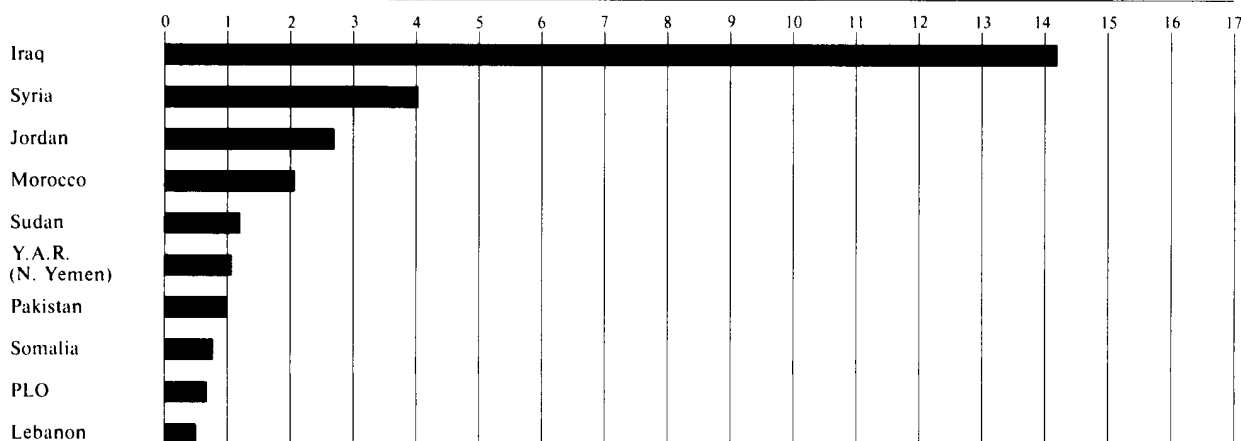
Saudi Assets

Financial aid is the principal tool in Riyadh's regional foreign policy. It is used to complement and strengthen Saudi diplomatic efforts and to satisfy Saudi obligations in regional conflicts where Riyadh will not or cannot play a more active—particularly military—role. According to Embassy reporting, the Saudis have dispensed approximately \$50 billion in aid since 1974, virtually all of it to Arab or Muslim allies. The

25X1

Secret**Saudi Arabia: Major Bilateral Foreign Aid Disbursements, 1980-84^a**

Billion US \$

^a Figures include estimated 1984 contributions.

305068 3-85

25X1

bulk of annual aid expenditures go to Syria and Iraq—nearly \$15 billion to Iraq alone since the outbreak of the Iran-Iraq war. [redacted]

Saudi aid to Syria is intended:

- To support Syria's status as a confrontation state facing Israel.
- To temper Syrian radicalism.
- To loosen Damascus's dependency on Moscow.
- To reduce Syrian adventurism in Lebanon and against Saudi allies like Jordan and PLO moderates, whom Riyadh also supports.

Aid to Iraq is given to enable Baghdad to contain the threat of Iranian fundamentalism, to encourage Iraqi moderation and reduced reliance on Soviet arms, and to temper Iraqi inclinations to spread the war into the Gulf. [redacted]

The Saudi diplomatic style, Riyadh's long-term relationship with the United States, and its Islamic credentials are other assets, although each to some extent is also a liability. The Saudis pursue a low-key, even secretive diplomacy designed to give them maximum flexibility and to facilitate their role as a

catalyst in negotiations and as an emollient to smooth regional differences. They avoid highly publicized exchanges, whether confrontational or cooperative, and only rarely—as in the case of the Fahd peace plan—make public, unilateral moves. They keep the status of their bilateral relations deliberately murky—they maintain at least minimal contacts with the most hostile adversaries and keep even longtime allies at arm's length. [redacted]

The Saudi-US relationship is a mixed blessing in Riyadh's eyes. The Saudis probably command more respect, even from extremely hostile adversaries, because of the regional perception that the United States is the ultimate guarantor of Saudi security. It has been a chronic liability, however, in Riyadh's regional relations because of Arab expectations that the Saudi-US "special relationship" should yield the Arabs greater influence in Washington. More specifically, the Saudis have been unable to win greater US pressure on Israel for concessions in peace negotiations. They have also failed to reduce large-scale US

25X1

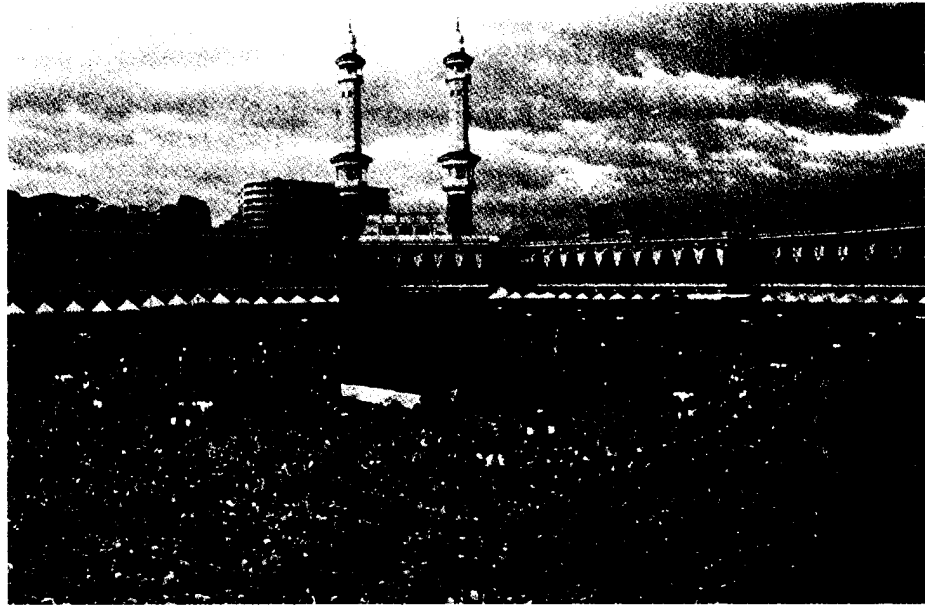
25X1

25X1

Secret

Secret

Worshippers crowd the Grand Mosque in Mecca during the Hajj. [redacted]



The Kingdom of Saudi Arabia ©

25X1

military aid to Israel and to get Washington to negotiate directly with moderate elements in the PLO. [redacted]

The Saudis' Islamic credentials are a less significant asset. Riyadh has been unable to turn the Islamic Conference Organization into a major diplomatic force, most recently because it has been dominated by the clash between Iran and Iraq—two of its most powerful members. The obligation of acting as host to Muslim pilgrims each year, particularly during the Hajj, yields little apparent influence and is a substantial logistic burden on the Saudis as well as a major security risk. [redacted]

Despite their limited diplomatic assets, the Saudis over the last several years have become substantially involved in two major regional crises—the collapse of Lebanon and the Iran-Iraq war. In both cases, Riyadh has sought to influence the outcome of events, but its impact has been different in each case and has highlighted the limits of Saudi influence as a regional power. [redacted]



The Case of Lebanon

The Saudis—especially King Fahd—were initially drawn to Lebanon by longstanding historical interest and close ties to Lebanese leaders. When US involvement in the crisis escalated, we judge that the King was increasingly eager to influence US policy and see it succeed to justify his close cooperation with Washington. Before the Israeli invasion in June 1982, the Saudis had intensified efforts to stitch together a government of national reconciliation in Lebanon, to improve internal security, and to get Bashir Gemayel to deal more directly with Syrian President Assad and loosen his ties to Israel. The Saudis balked at taking a more active role, however, as long as they saw no prospect for unity among the numerous Lebanese factions and as long as Syria appeared determined to manipulate Lebanese internal politics. [redacted]

The Israeli Invasion. The Israeli invasion galvanized the Saudis, who feared that it would undermine a moderate Arab government, deflect attention from broader Arab-Israeli issues, and lead to a wider military conflict. According to US officials, Riyadh

25X1

25X1

25X1

25X1

25X1

Secret

Secret

hoped that Saudi involvement would help preserve Lebanese sovereignty, maintain minimal stability, and avoid the de facto partition of the country by Israel and Syria. []

They focused on negotiating foreign troop withdrawals and ensuring that Israel reaped no political or economic benefits from the invasion. []

As the crisis continued, the Saudis grew increasingly uneasy about Israel's long-term intentions, and they continued to oppose even a residual Israeli presence in southern Lebanon. Riyadh provided only limited financial aid for humanitarian assistance, and King Fahd warned US officials in January 1983 that the Arabs would boycott Lebanon if it signed economic or political agreements with Israel. By February Riyadh had quietly banned imports of Lebanese goods, suspecting that they were Israeli, and they temporarily withdrew the Saudi Ambassador from Beirut to warn the Lebanese Government of the risks of expanded contacts with Israel. []

The 17 May Agreement. According to Embassy reporting, the agreement on 17 May setting the terms for the Israeli withdrawal from Lebanon represented a setback for Riyadh, which believed that the agreement in effect rewarded Israel for its invasion of Lebanon. According to US officials, King Fahd also believed that Syrian opposition to the agreement reduced the possibility of a comprehensive troop withdrawal and left the Israelis and Syrians deadlocked. Although he agreed in July to [] tripartite talks among US, Lebanese, and Saudi representatives to explore fresh ideas on withdrawing foreign forces, we judge that he saw little prospect of Syrian flexibility. []

Still, the Saudis continued their efforts to temper Syrian adventurism in Lebanon to reduce the risk of a broader conflict. []

Saudi-Syrian Relations

Saudi Arabia and Syria have maintained a close, durable relationship despite major differences in ideology, assets, and style:

- Senior Saudi officials travel frequently to Damascus, and Riyadh has received a similar number of Syrian officials, including President Assad, who visits about once a year.
- The Saudis have provided Damascus with substantial aid—nearly \$4 billion since 1980, two-thirds of which has gone to defray the cost of Syria's largely Soviet-origin military equipment. []

Despite the close links, relations between the two countries are clouded by historical and cultural rivalries as well as policy differences:

- Saudi Arabia's nonconfrontational style is often ineffectual in dealing with Damascus's ruthless determination to protect its own interests.
- Both the Syrians and the Saudis consider themselves to be at the center of the Arab world and are contemptuous of each other.
- The Saudis are suspicious of Syria's links to Moscow and dislike Syrian socialist, secular rhetoric. []

The Saudis fear Syrian terrorism, and they will not exploit their aid to exert pressure on Damascus:

- They have failed to woo Syria from its support for Iran or to reduce Syrian hostility toward Iraqi President Saddam Husayn.
- The Saudis could not prevent Syrian-orchestrated attacks on Yasir Arafat and moderate elements in the PLO. []

Despite Saudi aid to Syria, Riyadh is unlikely to gain significant influence in Damascus, which probably believes it can extract the financial assistance in any event. Still, we judge the Saudis will continue aid at current levels, even if economic constraints squeeze Saudi ability to provide foreign aid to others. []

25X1

25X1

25X1

25X1

25X1

25X1

25X1

25X1

25X1

25X1

25X1

25X1

Secret

Secret

[redacted]

The Saudis believed the US role in Lebanon put them in an increasingly difficult position, [redacted]

[redacted] Augmentation of the US military presence and US airstrikes and naval bombardments of Syrian positions in Lebanon were unpopular in Saudi Arabia. The Saudis feared a US-Syrian clash, especially after the bombing in late October of the US Marine barracks in Beirut, [redacted]

Saudi Pullback. [redacted]

[redacted]

[redacted] In our judgment, the Saudis had concluded that any solution would have to be largely on Syrian terms. In December 1983 they won Lebanese agreement for an eight-point peace plan that provided for abrogation of the 17 May agreement. According to Embassy reporting, Prince Bandar deflected US requests for a public pledge of support for the multinational peacekeeping force, and the Saudis repeatedly expressed frustration that Washington was not more flexible on the agreement. The Lebanese Government finally abrogated it in mid-March. [redacted]

Riyadh backed another security plan—this one for south Beirut and the Shuf—in early 1984 in hopes that the United States could be persuaded to press for Israeli withdrawal.² The Saudis also renewed efforts to mitigate factionalism hampering the government, according to Embassy reporting. [redacted]

² The plan called for an expanded role by the Lebanese Army forces, the separation of the major warring factions into specific regions of authority, and increased observer positions by members of the Multinational Force. [redacted]

By spring 1984, Lebanon had become a source of great frustration for the Saudi Government and the Saudi population, who had begun to complain more openly about the US role there, according to US officials. After nearly a year of fruitless Saudi mediation, more and more Saudis were laying the blame on the US Government for the deterioration of the situation, according to Embassy reporting. In widely publicized remarks to a US audience in Saudi Arabia, Crown Prince Abdallah was reported to have sharply criticized the allegedly partisan role of US troops in Lebanon and to have called for their withdrawal. Although the Saudi Government assured US officials that press reports deliberately distorted Abdallah's remarks, they were enthusiastically received by the public, according to the Embassy. [redacted]

Despite Saudi efforts, the situation in Lebanon resisted Riyadh's influence. The Saudis' incremental diplomacy was often overtaken by rapidly unfolding events. The goal of national unity was lost in the extreme political fragmentation and confessional strife that marked Lebanese politics. There were too many players—both inside and outside Lebanon—to satisfy or to placate, and a growing number of them were willing to use terrorism. [redacted]

The Saudis continue to profess interest in the stability and reconstruction of Lebanon, according to US officials, but they appear to have reduced significantly their involvement with the Lebanese Government since last spring. Lebanese Prime Minister Rashid Karami traveled to Riyadh in July for talks and claimed Saudi aid commitments of \$450 million. The visit was given wide media coverage, but the Saudis were vague about the future level of Saudi financial and diplomatic support. [redacted]

The Saudis no longer appear willing to press Syria on its role in Lebanon. In a strong demarche in mid-September following Washington's veto of a UN Security Council resolution on Lebanon that favored the Syrian position, Foreign Minister Saud insisted that Syria would honor its earlier pledges. According to Embassy reporting in December 1984, however, the

25X1

25X1
25X1

25X1

25X1

25X1

25X1

25X1

25X1

25X1

25X1

25X1

25X1

25X1

25X1

Secret

Secret

Saudis expressed willingness to seek Syrian flexibility in support of Israeli troop withdrawal negotiations in south Lebanon, and Fahd sent Saudi negotiator Rafiq Hariri to Damascus to probe Assad. In January, Foreign Minister Saud was noncommittal in response to US briefings on Lebanon and argued that the difficulty, as in the past, rests largely with the Lebanese themselves. []

The Iran-Iraq War

Since the outbreak of the Iran-Iraq war in September 1980, Saudi Arabia has tried to maintain at least correct relations with Tehran, while supporting Iraq to prevent an Iranian victory. Despite Riyadh's massive aid to Baghdad since the outbreak of hostilities, we believe Saudi strategy is to ensure that neither belligerent will win a clear victory. []

In contrast to the visible Saudi role in Lebanon, Riyadh has been reluctant to attract attention in the Gulf war. Public declarations of support for the Baghdad regime are infrequent, and occasional exchanges of high-level visitors are discreet. More surprising, there appear to be few contacts between middle-level officials of both countries. Riyadh's diplomatic and economic pressure on Iran and its efforts to improve its own defensive capabilities have been low key and, to the extent possible, in the context of multilateral efforts. []

Fear of Iran. Fear of the Iranian revolution and its potential impact on the security of Saudi Arabia dictated Riyadh's early policy on the war. Although the Saudis initially sought assurances that the United States would continue to protect Saudi Arabia, the fall of the Shah led them increasingly to question the reliability of Washington as an ally, according to Embassy reporting. They also expected that the chaos engulfing the government in Tehran would lead to a takeover by leftists and Communists, leaving Saudi Arabia encircled by pro-Soviet regimes. []

Riyadh shared the general Arab reaction that the Iranian revolution had fundamentally altered the power balance in the region. Saudi leaders sought to blend into a broader Arab consensus and moved to strengthen their political ties to Jordan, Syria, and Iraq with a series of high-level visits in early 1979 after Khomeini's return to Iran. []

The Saudis also believed that the revolution would not alter Iran's historical efforts to dominate the smaller Gulf states, according to Embassy reporting. They anticipated that the internal turmoil in Iran would only temporarily slow Tehran's determination to export its revolution. They believed that fear of Western retaliation would prevent a conventional military attack by Iran but were prepared for intense ideological pressure, threats, and subversion. []

25X1
25X1

Saudi fears were well founded. Bilateral relations, which had been prickly under the Shah, degenerated swiftly with the accession of Ayatollah Khomeini's regime. Iran launched a propaganda war against the Saudi leaders, attacking their political, ideological, and religious credentials and calling for establishment of an Islamic republic in Riyadh. Iran also began proselytizing among the largely Shia population of Saudi Arabia's Eastern Province, where key Saudi oil installations are located. []

25X1

25X1

Tentative Saudi peace feelers failed to curb Iranian hostility, and the Saudis became skeptical that conciliation would contain the Iranian threat. In November 1981, Riyadh leveled a sharp verbal blast at Iran, condemning Khomeini's rule as bloodthirsty and anti-Islamic. By spring 1982 the Saudis had begun to develop military contingency plans for possible conflict with Iran, according to Embassy reporting. []

25X1

The Saudis, in our judgment, remain unsure as to how to manage their relationship with Iran. They recognize Iranian religious fervor and potential military strength as major threats to their long-term interests. They continue to hope, however, that the ideological fervor driving Iranian hostility will wane and more moderate elements will again control Tehran's decisionmaking. Such a prospect, although unlikely in the short term, has encouraged Riyadh to keep open the lines of communication to Tehran. Embassies remain active at the charge level, and the Saudis allow large numbers of Iranian pilgrims to attend the annual Hajj. Riyadh swallows Iran's verbal abuse and takes an active role in the numerous mediation efforts aimed at settling the war. []

25X1

25X1

25X1

25X1

Secret

Secret

Tehran's response suggests that Riyadh's minimal goal of keeping the channels open has been accomplished, despite continued hardline demands that Saudi Arabia halt its massive aid to Iraq. In lengthy negotiations in spring 1984 over Iranian participation in the Hajj, Saudi officials found the Iranians more cooperative, and there were no repetitions of the large-scale, violent Iranian demonstrations that have marked past pilgrimages. In addition, US officials reported that in early October the Iranians had invited Foreign Minister Saud to visit Tehran. The Saudis would welcome such a visit if they judged it would not provide Iran with a propaganda advantage over Iraq. There are no indications that it will materialize soon, but we judge that the Saudis are willing to explore the possibility. [redacted]

As a complement to its diplomatic overtures, Riyadh has continued efforts to put pressure on Iran's economy and its military capability in hopes that Tehran eventually will be compelled to negotiate. Riyadh has appealed repeatedly to the United States to help curb sales of US equipment from third countries as well as to press US allies such as South Korea to halt arms sales to Iran, according to US officials. The Saudis have made similar appeals through the Arab League to other Western countries. These efforts have been only partly successful because those countries that might influence Iran have been reluctant to risk their ties to Tehran and because Riyadh has little influence with Iran's largely Soviet Bloc military suppliers.

[redacted]

Riyadh has also attempted to put diplomatic pressure on Tehran in the expectation that isolation will undermine Iranian determination to prosecute the war. In addition to their leading role in the June 1984 UN Security Council resolution that condemned attacks on shipping in the Gulf, the Saudis have expressed willingness to play a key role if Iran accepts mediation and to help provide reparations demanded by Iran. Riyadh also has continued to support multilateral negotiating efforts through the Nonaligned Movement, the Islamic Conference, and the United Nations, despite little prospect of success. [redacted]

Support for Baghdad. Riyadh has provided massive support for Iraq in the war, despite historically deep tensions with Baghdad. US officials estimate that

Saudi cash assistance to Baghdad in 1984 totaled \$1.5 billion, and they judge a similar level of cash assistance is likely in 1985. In addition, the Saudis continue to sell oil on Iraq's behalf, and these sales generated approximately \$1.4 billion in 1984. [redacted]

Saudi Arabia also has provided substantial logistic support to Iraq. The US Consulate in Dhahran reports that there was a noticeable upswing in 1984 in the transshipment of goods bound for Iraq—largely foodstuffs and grain—through the Saudi port of Ad Dammam. A significant amount of Iraqi military equipment is shipped through Saudi Arabia's Red Sea port of Al Qadimah as well, [redacted]

25X1

25X1
25X1
25X1

The Saudis tried without success to mediate differences between Iraq and Syria and to convince Damascus to reopen the Iraq-Syria oil pipeline. [redacted]

25X1
25X1

We judge that Riyadh may be trying to reduce its aid to Baghdad now that the war has shifted in Iraq's favor. [redacted]

25X1

25X1

25X1

Despite Riyadh's agreement to proceed with construction of the Iraq-Saudi Arabia pipeline, the Saudis are unenthusiastic about it, and we judge that they granted Iraq access only under extreme pressure. [redacted]

25X1

25X1

The War Spreads. The spread of the conflict in the Gulf in spring 1984 underscored the limits of Saudi influence with both Iraq and Iran. Although Saudi

25X1

Secret

Secret

Traditional Tensions With Iraq

The threat from Iran has temporarily obscured long-standing Saudi unease about Iraq's leftwing ideology and its ties to the Soviets. The conservative monarchy in Riyadh has long believed itself a target of Iraqi Ba'th Party radicals. The Saudis also fear that Soviet influence in Iraq poses a major long-term threat to regional stability, although this has been temporarily overshadowed by the threat from Tehran. We judge that the Saudis view skeptically Baghdad's new moderate posture as long as Baghdad's arms supply relationship with Moscow remains strong. [redacted]

Riyadh and Baghdad have disagreed sharply on several key issues since the outbreak of the Gulf war. The Saudis have resisted Iraq's efforts to gain admission to the Gulf Cooperation Council. Iraq humiliated then Crown Prince Fahd by opposing the Fahd peace plan when it was proposed in 1981. Baghdad blamed Saudi Arabia in part for the Israeli bombing of Iraq's Osirak reactor in 1981 because Israeli planes flew over Saudi territory to get to Iraq. Iraq complained later that Saudi commitments to finance the rebuilding of the reactor had not been fulfilled. Riyadh could not temper Iraqi opposition to the sale of US AWACS planes to Saudi Arabia—which reinforced traditional Iraqi suspicions of Saudi-US ties. [redacted]

aid is critical to Iraq's war effort, Riyadh could not contain Baghdad's willingness to attack shipping and risk widening the war. The Saudis also took seriously Iran's public warning that it would retaliate against Gulf shipping if Baghdad continued its airstrikes.

Riyadh recognized in late spring that, despite its diplomatic strategy, there was a growing risk of military involvement in the conflict. Before the Saudi shootdown of an Iranian plane on 5 June, Riyadh stressed that it would defend Saudi territory if necessary. [redacted]

If Iran and Iraq eventually agree to negotiate an end to the war, Iraqi-Saudi tensions are not likely to diminish significantly. Any settlement will involve large-scale payments—probably to both parties—for postwar reconstruction. The Saudis will also have to look for ways to support a larger role for Baghdad in regional Arab affairs or risk bullying from a militarily powerful and ruthless neighbor, determined to regain some of the influence it lost during the war. [redacted]

To temper potential threats from Iraq, the Saudis are likely to seek active US involvement in solidifying Baghdad's recent trend toward moderation. They welcomed the restoration of formal diplomatic relations between Washington and Baghdad as a possible way to limit Iraqi pressure on the kingdom and perhaps reduce the Soviet-Iraqi tie. Riyadh also is likely to encourage US arms sales to Baghdad to reduce its dependence on Soviet equipment and to give Washington more leverage in containing Iraqi adventurism. [redacted]

Iran's measured response to the shootdown, as well as the largely cooperative Iranian activity during the Hajj in late summer, appeared to convince the Saudis that their policy to contain Iran through conciliation and a defensive military posture was working. Iran condemned the shootdown but said it would launch retaliatory attacks only if the incident were repeated. Riyadh quickly expressed regret to Tehran over the incident and offered to compensate Iran for the loss of the plane. [redacted]

[redacted] The Iranians have subsequently sought to avoid military actions within the effective range of Saudi air patrols. [redacted]

Secret

Secret

The Saudis have few options but to keep their guard up and continue attempts to conciliate Iran, perhaps through intensified efforts to expand their dialogue or through collective efforts by the Gulf Cooperation Council. Although we judge they will maintain significant support for Iraq and will continue to try to press Iran economically and diplomatically, Riyadh will continue to caution Tehran that neither country can afford a wider war or bilateral military conflict. [redacted]

The Saudis also recognize that they cannot afford to loosen their ties to Baghdad too much. They acknowledge—and the Iraqis frequently remind them—that Iraq is the Sunni Arabs' first line of defense against Iran's brand of Shia Islam. The Saudis are convinced that Iran has not abandoned its determination to subvert the Sunni-dominated governments in Iraq and the Gulf states. The best alternative to more direct confrontation with Iran is support for Iraq as a surrogate in Saudi Arabia's military defense. [redacted]

Prospects

Lessons for Riyadh. In our judgment, Riyadh's unsuccessful efforts to resolve the Lebanon crisis and to settle the Iran-Iraq war have reinforced for the Saudis the limitations on their ability to influence regional events. It will strengthen their inclination to work behind the scenes while they encourage other key states to take the lead in any significant initiatives. This tendency to work secretly and through others will be further reinforced if current low-key Saudi efforts result in Iranian flexibility toward ending the Gulf war. [redacted]

The Lebanon experience and Syrian intransigence in opposing Iraq's Saddam Husayn have heightened Saudi fear of Syria, in our view. The Saudis will be unwilling to reduce aid to Damascus in any but the most extreme situations, such as a direct threat to Jordanian sovereignty. They are not likely to support energetically current efforts by Jordan's King Hussein and Yasir Arafat toward negotiations with Israel as long as Syria is excluded from the process. They will also try to avoid being cast as a counterbalance to Syria in Lebanon or in the broader peace process. [redacted]

We judge that the experience in Lebanon will also reinforce Saudi reluctance to dispense aid where there is no clear benefit or where there is no coherent strategy for using financial assistance. Riyadh will examine more carefully US and regional requests that it increase aid to make sure that the aid serves Riyadh's strategic goals. We believe that the Saudis did not see aid to Lebanon as either effective or crucial to their strategic interests, whereas aid to Iraq protects them from a clear and immediate threat. [redacted]

The Saudis probably will continue to provide aid to those recipients that they believe could threaten Riyadh if it is withheld. We anticipate, for example, that the Saudis will agree to pay for substantial war reparations in any future settlement between its two powerful neighbors, Iran and Iraq. The Saudis will also continue to provide major aid to Damascus despite their differences because they believe Syria is the only regional state still willing to challenge what the Saudis believe are Israel's expansionist designs. The Saudis believe this aid enhances their claim to support the Arab confrontation with Israel and that it provides Damascus with additional leverage in any potential dialogue with Tel Aviv. [redacted]

The Saudis will be cautious about playing a major role in crises where a mediated settlement is unlikely and order must be imposed by force. Despite the successful aerial skirmish with Iran last June, the Saudis are reluctant to involve themselves in military conflicts. Although the Saudis continue to modernize their military and seek state-of-the-art equipment from the West, we judge that they are uncertain about their ability to counter conventional military threats. [redacted]

In our judgment, Riyadh will be hesitant to take strong diplomatic action in complex conflicts, especially those involving the strategic interests of major regional states. [redacted]

25X1

25X1

25X1

25X1

25X1

25X1

25X1

25X1

25X1

Secret

Secret

The Saudi View of a Moderate Arab Coalition

We judge that the Saudis are watching closely the growing cohesiveness of Arab moderates—the re-establishment of relations between Jordan and Egypt, the increased activity of PLO moderate forces under Yasir Arafat despite Syrian objections, and the recent moderation of Iraqi foreign policy. An alliance of these states and Arafat's forces could be amorphous and cooperate only on limited mutual interests, or it could develop into an activist coalition that promotes a regional peace initiative. In either case, the question of Saudi involvement and support will be crucial.

Saudi Arabia favors the strengthening of moderate forces in the region and any weakening of Syrian influence. Riyadh shares with other Arab moderates several key regional goals:

- A commitment to support Iraq in its war with Iran.*
- Support for PLO moderates, currently led by Yasir Arafat.*
- A steady reintegration of Egypt into the Arab mainstream.*

If the tacit moderate alliance continues to move quietly on these issues, we believe Riyadh will play a positive but backstage role. If such a coalition grows

closer and assumes a more prominent role, however, Riyadh probably will calculate that its security interests are better served and protected by publicly maintaining its distance from the group to avoid angering Arab radicals.

Syrian opposition to a cohesive moderate coalition would be the principal impediment to Riyadh's open participation. The Saudis probably would calculate that they would be the coalition member most vulnerable to the heavyhanded pressure tactics of the Syrians and other radicals. The Saudis probably fear that an active moderate coalition would prompt Syria to apply direct pressure on Riyadh, cause trouble in Lebanon, and increase its cooperation with Tehran and Moscow.

In addition, Riyadh also would be concerned that its financial assets could be manipulated by other members of such a coalition, who might turn to Riyadh for financial wherewithal to achieve political objectives. Finally, the Saudis will be skeptical about the durability and effectiveness of a moderate Arab coalition. Riyadh has seen alliances in the Middle East come and go.

The Gulf war is straightforward by contrast—only two belligerents must be satisfied—but even there Saudi diplomacy has been cautious.

We judge that King Fahd's occasional conspicuous involvement in regional affairs has increased expectations, especially among young Saudis, that Riyadh can play a more forceful role in the region. The Saudi leadership will try to temper these expectations and contain domestic criticism of their failures. The Saudi role in Lebanon had produced widespread and more vocal criticism of the regime for its perceived failure to protect the Palestinians there, according to Embassy reporting.

In the case of the Gulf war, the leadership runs fewer risks than on Arab-Israeli or Saudi-US issues because the population views Iran as the problem and is not

likely to blame its own government for failing to win cooperation from Tehran. The Saudis, however, will continue to keep their efforts secret to minimize the risk of public setbacks.

Secret

Secret



King Fahd (center right) and Prince Abdallah (center left) dance the traditional ardha. [redacted]

Al-Riyad ©

25X1

The Saudis almost certainly will be more cautious about open involvement in regional crises that directly involve the United States. The Saudis publicly and privately have expressed their disappointment at US policy in Lebanon, particularly US unwillingness to exert pressure on Israel and what they perceive as US clumsiness in dealing with Syria, according to US officials. They were dismayed, moreover, at what they believed to be US inability to impose greater order in Lebanon and protect Palestinians and Lebanese Muslims, especially after the massacres at Sabra and Shatila. We judge the experience in Lebanon has intensified Saudi concern that public involvement in or support for US-sponsored initiatives in the region may be diplomatically costly for the regime. [redacted]

the cautious nature of the regime in Riyadh. Crown Prince Abdallah has a somewhat different style and focus than King Fahd, however, which would be reflected in Saudi foreign policy should Abdallah succeed the King. [redacted]

25X1

25X1

25X1

[redacted] According to US officials, Fahd still hopes that Saudi Arabia can play a behind-the-scenes role in forging and strengthening Arab consensus on key issues. [redacted]

25X1

25X1

25X1

25X1

Washington's low-key policy toward the Iran-Iraq conflict has probably been a benefit for the Saudis, despite their hope that Washington would take a more active role in support of Baghdad. Although the Saudis have welcomed the renewal of relations between Iraq and the United States, they have kept their response discreet to avoid giving Iran ammunition for its anti-US and anti-Saudi propaganda. Should the United States decide to play a larger role, Saudi efforts to mediate a settlement would probably be hampered by Iranian suspicions of US intentions and fears of Saudi collusion with Washington. [redacted]

25X1

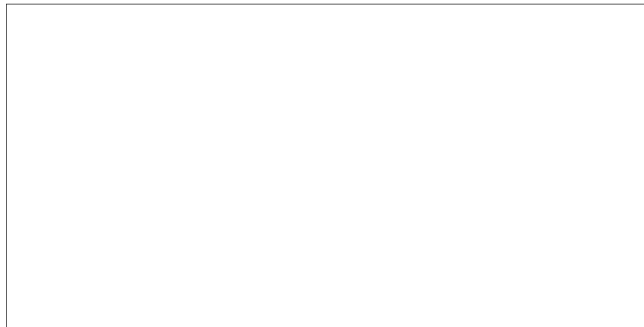
The Effect of Changes in the Saudi Leadership. We do not anticipate rapid changes in the style or substance of Saudi Arabia's regional foreign policy, given

Secret

Secret

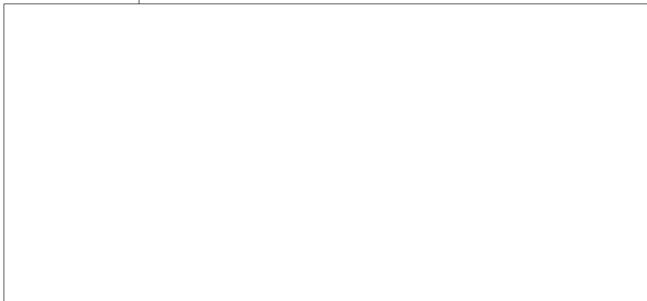
25X1

Should Abdallah become king, he would bring to Saudi foreign policy a different personal style and regional goals somewhat more problematic for US interests.



25X1

25X1



25X1

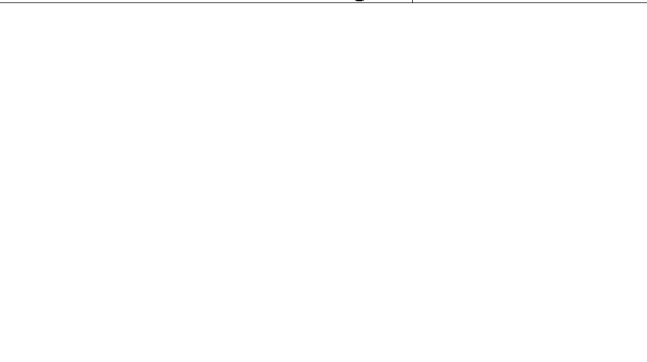
Abdallah would probably give greater attention to the interests and equities of more radical states in the region. He has dealt extensively with Syria and Iraq, for example, and has close ties to the Syrian leadership in particular. He has a more tribal, conservative domestic constituency than Fahd, moreover, and has long been sharply critical of US support for Israel. US officials judge that Abdallah holds unrealistic expectations about the current commitment of the US Government to pursue a Middle East peace settlement that is more accommodating to Arab interests. He questions the legitimacy of Amin Gemayel's government in Lebanon, and he blames the United States for failing to resolve the Lebanese dilemma.

25X1

Over the next decade, the younger generation of Saudi princes is likely to have more influence on Saudi foreign policy in the region.

25X1

25X1

**Secret**

Secret

Secret